

ALGULAR CAMPIE

September 5, 2001

Overnight Delivery

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210 N. Park Ave. Winter Park, FL 32789

P.O. Drawer 200 Winter Park, FL 32790-0200

Tel: 407-740-8575 Fax: 407-740-0613

tmi@tminc.com

Mr. David Waddell Executive Secretary Tennessee Regulatory Authority 460 James Robertson Parkway Nashville, TN 37219-0412

EXECUTIVE VECTORIAL

RE: Ciera Network Systems, Inc. - Data Request

Docket #01-00693

Dear Mr. Waddell:

Enclosed for filing are the original and three (3) copies of the above-referenced data request on behalf of Ciera Network Systems, Inc.

Please acknowledge receipt of this filing by returning, date-stamped, the extra copy of this cover letter in the self-addressed stamped envelope enclosed for this purpose.

Any questions you may have regarding this filing should be directed to myself at (407) 740-3001. Thank you for your assistance.

Sincerely,

Thomas M. Forte

Consultant to Ciera Network Systems, Inc.

Enclosure

cc:

Robert Livingston - Ciera

file:

Ciera - TN Local

tms:

TN10100c

Tennessee Data Request #1 for Ciera Network Systems, Inc. Docket No. 01-00693

- Pursuant to Tennessee Code Annotated §65-4-125, the following will be due to the TRA: 1.
 - A corporate surety bond in the amount of \$20,000; or (a)

An irrevocable letter of credit in the amount of \$20,000; or (b)

Documentary evidence that you own and operate equipment facilities in Tennessee worth (c) more than \$5,000,000.

A surety bond has been filed with the Commission on August 21, 2001. Response:

Please provide a Balance Sheet, Income Statement and Statement of Cash Flow on Ciera 2. Network Systems, Inc.

See Attachment I. Response:

Please provide complete projected financial statements for the first three years of operation for 3. Ciera Network Systems, Inc. This should include balance sheets, income statements and cash flow statements.

Ciera does not do in depth financial analysis for each state in which it provides Response:

service. Costs for a UNE-P provider are structured such that the Company will price its local services above its cost, but below the ILEC retail price. The Company does anticipate TN sales form CLEC and Long Distance services at \$50,000 for the first

year, \$100,000 for the 2nd year, and \$200,000 for the 3rd year.

Applicant should serve notice of its application of the eighteen (18) incumbent local exchange 4. telephone companies in Tennessee with a statement regarding the company's intention of operation geographically. The TRA requires a written certificate of service from the applicant.

Ciera already served notice with the filing of their application on August 6, 2001 Response:

with the TRA.

Please identify all complaints filed with regulatory agencies involving your company or 5. affiliated entities. Identify the nature of the complaint, which governmental agency or office received the complaint, how was the complaint resolved?

To date, Ciera has not received complaints in other states. Response:

6. Numbering Issues

(a) What is your company's expected demand for NXXs per NPA within a year of approval of your application?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs.

(b) How many NXXs do you estimate that you will request from NANPA when you establish your service footprint?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs.

(c) When and in what NPA do you expect to establish your service footprint?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs. The company will request full line numbers from BellSouth on an as needed basis throughout the state of Tennessee.

(d) Will the company sequentially assign telephone numbers within NXXs?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs. The company will request full line numbers from BellSouth on an as needed basis throughout the state of Tennessee.

(e) What measures does the company intend to take to conserve Tennessee numbering resources?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs. The company will request full line numbers from BellSouth on an as needed basis throughout the state of Tennessee.

(f) When ordering new NXXs for growth, what percentage fill of an existing NXX does the company use to determine when a request for a new NXX will be initiated?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs.

7. Tennessee Specific Operational Issues

(a) How does the company intend to comply with TCA §65-21-114? In its description, please explain technically how the company will not bill for countywide calls within Tennessee.

Response: The company will utilize call records provided by BellSouth via their Unbundled Network Elements Platform along with the Tennessee County Wide database to unsure that countywide calls within Tennessee are not billed for.

(b) Is the company aware of the Tennessee County Wide database maintained by BellSouth and the procedures to enter your telephone numbers on the database?

Response: The company is aware for the Tennessee County Wide database maintained by BellSouth and the procedures to enter numbers into it.

(c) Is your company aware of the local calling areas provided by the Incumbent Local Exchange Carriers in your proposed service areas?

Response: The company is aware of the local calling areas provided by the LECs in the areas in which service is proposed.

(d) Explain the procedures that will be implemented to assure that your customers will not be billed long distance charges for calls within the metro area.

Response: The company is aware of the local calling areas provided by the LECs in the areas in which service is proposed and will utilize the same local calling areas to ensure it's customers are not billed long distance charges for calls within the metro area

(e) Please provide the name and telephone number of an employee of your company that will be responsible to work with the TRA on resolving customer complaints.

Response: Robert W. Livingston

CEO / Secretary

Ciera Network Systems, Inc.

1250 Wood Branch Park Drive, 6th Floor

Houston, Texas 77079-1212 Phone: 713-914-3850 Fax: 713-914-3870 Toll Free: 888-467-1844

(f) Does the company intend to telemarket its services in Tennessee? If yes, is the company aware of the telemarketing statutes and regulations found in TCA §65-4-401 et seq. And Chapter 1220-4-11?

Response: The company does not intend to telemarket its services in Tennessee.

Tennessee Data Request #1 for Ciera Network Systems, Inc. Docket No. 01-00693

8. Applicant must state intent to comply with Tenn. Code Annotated §65-4-201.

Response: The Company intends to comply with Tenn. Code Annotated §65-4-201.

Attachment I

Ciera Network Systems, Inc.

Current Financials

Ciera Network Systems, Inc. 1250 Wood Branch Park Drive Houston, Tx. 77079

Balance Sheet

7/2/01	
4:49:13 PM	
ASSETS	
Current Assets	
Cash	
BankOne - 157-183-1203	15,914.79
Community Bank (60-1872-5)	138,062.27
Fidelity 5911-299-17	2,525,19
Southwest ATG - Lock Box	55,423.68
	1,000.00
Petty Cash	17,000.00
CD - SWBT Texas	112.50
Surety Bonds	228,038.43
Total Cash	220,038.43
Accounts Receivable	107 050 04\
Allow Doubtful Accounts	(87,258.31)
Accts Rec - Trade - AliBill	96,696.21
Accts Rec Allbill Misc	(86.41)
Accounts Receivable - CCC	218.98
Accts Rec - Costguard	3,475,965.93
Employee Payroll Advance	879.13
Employee Advances	3,641.38
CCC - Transfer Account	(1,574,219.31)
Total Accounts Receivable	1,915,839.60
Inventory	375.00
Prepaid Expenses	•
Prepaid COS	139,125.47
Deposits Paid	75,964.73
Total Prepaid Expenses	215,090.20
	2,359,343.23
Total Current Assets	2,000,040,204
Plant, Property & Equipment	269,885.12
Fumiture & Fixtures	
Switch Equipment	1,000,541.25
Office Equipment	5,694.18
Computer Equipment	1,417,221.97
Paging Equipment - Leased	6,037.70
Leasehold Improvements	9,608.27
Accumulated Depreciation	<u>(161,552.43)</u>
Total Plant, Property & Equipment	2,547,438.06
Amortization of Goodwill	(340,940.48)
Goodwill	3,823,598.38
Investment - Ciera Bus Center	4,390.61
Total ASSETS	8,393,827,80
-	
LIABILITIES	
Current Liabilities	E 4 949 99
Deferred income - Alibili	54,213.30
Deferred Income - Costguard	28,418.57
Customer Deposits	640.00
Total Current Liabilities	83,271.87
Accounts Payable - Trade	,
Accounts Payable - Trade	27 0, 8 7 7 .80
Accounts Payable - Accrued	<u>165,004.43</u>
Total Accounts Payable - Trade	435,882.23
Communications Taxes Payable	
Federal Communications Taxes	
Municipal Fees-PRW Allbill	20,437.50
Total Federal Communications Taxes	20,437.50
Texas Communications Taxes	### 1 · * · · · · · · · · · · · · · · · · ·
	79,864.38
Alibiii Tax Payable	79,864.38
Total Texas Communications Taxes	54,414.82
Communications Tax Payable	79,933.12
CostGuard USF	/3,333,14
THE PERSON NAMED IN COLUMN TAXABLE	

Balance Sheet

May 2001

7/2/01 4:49:14 PM

Missouri State Sales Tax (099)
Missouri City Sales Tax (099)
Total Missouri Communication Taxes
Total Communications Taxes Payable
Other Accrued Liabilities
Other Accrued Liabilities
Total Other Accrued Liabilities
intercompany Payable
Long-Term Liabilities
Note Payable - L. Lee
Note Payable - RFC Capital
Total Long-Term Liabilities

Total LIABILITIES

STOCKHOLDERS EQUITY

Stockholders Equity
Common Stock
Additional Pald in Capital
Retained Earnings
Current Year Earnings
Total STOCKHOLDERS EQUITY

Total Liability & Equity

399.82 1,400.84

1,800.66

236,450.48

73,500.00

73,500.00 1,444,702.73

8,025.00 7,7**2**3,336.02

10,005,168.33

736.51 1,191,513.49 (2,003,009.24) (800,581.29)

(1,611,340.53)

8,393,827.80

Ciera Network Systems, Inc. 1250 Wood Branch Park Drive Houston, Tx. 77079

Profit & Loss Statement

7/2/01 4;49:30 PM		% of Sales	Year to Date % of	YTD Sales
	Selected Period	74 OT Sales		
Revenue				
Wholesale (Reseller & Agent)			. *	•
Cellular Service - Postpaid				
Cellular Service - Prepaid	0.00	0.0%	0.00	0.0%
Total Wholesale (Reseller & Agent)	-	7444		
Retail	0.00	0.0%	34,113.85	1.4%
Omnibili Revenue Alibili Prepaid Revenue	62,677.29	6.3%	346,815.23	14.6%
CostGuard Direct Bill Revenue	512,847.74	51.4%	1,027,922.88	43.3%
CostGuard Lec Revenue	400,934.81	40.2%	746,941.39	31.4% 1.3%
Debit Card Revenue	16,676.10	1.7%	29,904.13	1.3/6
Long Distance Service			2 222 50	0.2%
Interstate Outbound Switched	0.00	0.0%	3,973.58	0.6%
Intrastate Outbound Switched	0.00	0.0%	14,269.63	0.1%
International Outbound Switch	0,00	0.0%	1,849.95	0.0%
Interstate Inbound Switched	0.00	0.0%	554.02 2,114.88	0.1%
Intrastate Inbound Switched	0.00	0.0%	0.49	0.0%
Inbound - International	0.00	0.0%	1.298.80	0.1%
Calling Card	0.00	0.0%	1,552.85	0.1%
Directory Assistance	0.00	0.0%	17.20	0.0%
Accounting Code Fees	0.00	0.0%	1,068.75	0.0%
Monthly Service Fees-1+	0.00	0.0%	175.86	0.0%
Monthly Service Fees - 800	0.00	0.0%	26,876.01	1.1%
Total Long Distance Service	0.00	0.0%	20,010.01	
Internet Service	0.00	0.0%	563.25	0.0%
Internet Service - ICSI	0.00	0.0%	563 <u>.25</u>	0.0%
Total Internet Service	0.00	0.0%	68.84	0.0%
Personal Assistant	0.00	Ų. V 70	QQ. 64	
Local Service	0.00	0.0%	166,373.38	7.0%
SWBT-TX- MRC - Business	0.00	0.0%	4,119.57	0,2%
SWBT-TX- Install Fees - Bus	0.00 0.00	0.0%	267.19	0.0%
SWBT-TX - User Fees - Bus	0.00	0.0%	1,554.21	0.1%
Operator Services Income	0.00	0.0%	12,471.49	0.5%
SWBT - TX - MRC - Residential	0.00	0.0%	84.57	0.0%
SWBT - TX - Install Fees - Res	0.00	0.0%	184,870.41	7.89
Total Local Service	0.00		n	
Paging Service	0.00	0.0%	25 2.50	0.0%
Air Time	0.00	0.0%	252.50	0.0%
Total Paging Service	0.00	0.0%	607.24	0.09
PICC Fees	0.00	0.0%	2,326.36	0.19
Late Fees	0.00	0.0%	5.00	0.0
Speedpay Fee	0.00			
Discounts Characteristics	0.00	0.0%	(189.58)	0.0
Discounts - Shareholders	0.00	0.0%	(28,398.86)	(1.29
Discounts - Bundle Discount Free Mins/Air Value	0.00	0.0%	(334.59)	0.09
	0.00	0.0%	(28,923.03)	(1.2
Total Discounts	993,135.94	99.6%	2,372,344.06	99.8
Total Retail	4,278.05	0.4%	4,278.05	0.2
Income from Subsidiary Total Revenue	997,413.99	100.0%	2,376,622.11	100.01
Cost of Goods Sold	· ·	Guşak İvet		
Wholesale		4,51,4500		
Internet Service	4 7 00	0.0%	0.00	0.0
ICSI	17.62	(0.1%)	0.00	0.0
Dialup USA	(600.00)	(0.1%)	0.00	0.0
Total Internet Service	(582.38)	·	(and others a large contract of the	
Bell South		at Capy		
Pacific Bell		ិទ្ធបាល ប៉ុន្ត		
Cellular Service		1 object Skills		

Profit & Loss Statement

49:30 PM	Selected Period	% of Sales	Year to Date % of YT	D Sales
and he			12.21	0.0%
Paging Equipment	0.00	D.0% (0.1%)	12.21	0.0%
Total Wholesale	(582.38)	<u></u>		
Retail		•	•	
Long Distance Service	0.00	0.0%	2,163.93	0.1%
Outbound Interstate Switched	0.00	0.0%	3,188.12	0.1%
Outbound Interstate Dedicated	0.00	0.0%	7,785.35	0.3%
Outbound Intrastate Switched	0.00	0.0%	5,488.78	0.2%
Outbound Intrastate Dedicated	0.00	0.0%	866.25	0.0%
Outbound Int'l Switched	0.00	0.0%	14,464.43	0.6%
Outbound Int'l Dedicated	0.00	0.0%	242.36	0.0%
Inbound Interstate Switched	0.00	0.0%	396.66	0.0% 0.1%
inbound Interstate Dedicated inbound Intrastate Switched	0.00	0.0%	1,790.83	0.1%
inbound intrastate Switched inbound intrastate Dedicated	0.00	0.0%	4,361.85	0.2%
Inbound Intrastate Decidence	0.00	0.0%	0.87	0.0%
Dedicated Facilities	0.00	0.0%	18.69	0.0%
Dedicated Facilities	30.94	0.0%	686.21	0.0%
Calling Card Directory Assistance	0.00	0.0%	201.73	1.8%
Total Long Distance Service	30.94	0.0%	<u>41,655.86_</u> 229.12	0.0%
MCI LEC Usage Surcharge	0.00	0.0%	49,620.50	2.1%
MCI Worldcom Charges	33,100.77	3.3%		0.1%
MCI Interexchange Circuit Chas	615.80	0.1%	1,250.20 1,115.77	0.0%
MCI Local Access Circuit Chrgs	249.80	. 0.0%	187,515.38	7.9%
Alliance - AT&T LD	87,515.38	8.8%	443,680.39	18.7%
Global Crossing	225,476.92	22.6%	99,000.00	4.2%
Globalinx / Qwest	51,000.00	5.1%	98,000.00	
Internet Service		0.00/	799.75	0.0%
ICSI -	(17.62)	0.0%	1,800.00	0.1%
Internet DiaiUp	1,000.00	0.1%	2,599 <u>.75</u>	0.1%
Total Internet Service	982.38	0.1%	2,000	1/110-
Local Telephone Service		5.1%	50,779.71	2.1%
SWB Local Service	50,779.71	5.1%	50,779.71	2.1%
Total Local Telephone Service	50,779.71	, <u>J. 176</u>		,
Southwestern Bell-Texas	0.00	0.0%	283,854.90	11.9%
Monthly Recurring Fees	0.00	0.0%	22,130.87	0.9%
Conversion Fees	0.00	0.0%	591.38	0.0%
Order Processing Fees	0.00	0.0%	10,326.58	0.4%
IntraLATA LD charges	0.00	0.0%	3,245.46	0.1%
Usage Fees	91.20	0.0%	494.00	0.0%
Bill Plus Fees	47.46	0.0%	526.29	0.09
Call Branding Fees	0.00	0.0%	607.00	0.0%
Pramise Service Work	0.00	0.0%	7,435.00	0.39
Restoral Fees Pay Phone Compensation	0.00	0.0%	640.46	0.09 13. 9 9
Total Southwestern Bell-Texas	138.66	0.0%	329,851.94	0.09
Intrastate resold usage	23.27	0.0%	167.12	0.0
Disconnect Reports	21.50	0,0%	393.10	0.0
Liquidated Damages - SWBT-TX	0.00	0.0%	(691.48)	0.0
SWB-UNI-MRC	122.97	0.0%	323.35	0.0
SWB-UNI-Conversion	0.00	0.0%	12.27	0.1
SWB Dial-Up Dallas Switch	0.00	0.0%	2,831.82 3,457.14	0.1
AT&T Hou DS-3	1,728.57	0.2%	30,883.27	1.3
AT&T Dai Circuits	17,761.00	1.8%	9,131.16	0.4
AT&T Hou Circuits	4,154.52	0.4%	6,096.38	0.3
Level (3) Hou-Dal DS-3	3,048.19	0.3%	0.00	0.0
SMS/800	(6,000.00)	(0.6%) 0.1%	2,323.54	0.1
Intermedia Circuits	1,161.77	2.3%	45,047,94	1.9
SWB - Circuits	23,255.36		प्रमाण प्राप्त र	
Pacific Bell	4 400 00	0.1%	1,280.40	0.1
GTE/Verizon Local Service	1,102.92	and the second of the second o	State Control of the	
		Commence & March 1990		0.0
Paging Service	0.00	0.0%	146.41	0.0

Profit & Loss Statement

Desir Cardos 0.00 0.0% PICC Fees 0.00 0.00 PICC Fees 0.00 0.0% Total Cost of Goods Sold 493,270.43 49.5% Total Cost of Goods Sold 492,688.05 49.4% Gross Profit 504,725.94 50.6% Coverhead Expenses: 22,088.06 2.2% Salardes - Management 0.00 0.0% Operations 68,188.02 6.6% Cardit & Collections 27,593.69 2.8% Provisioning 34,033.05 3.4% Finance & Accounting 24,300.13 2.4% Administration & Regulatory 16,924.03 1.7% Administration & Regulatory 21,797.14 2.2% Information Development 12,170.78 1.2% Salardes - Sales 57,043.01 5.7% Application Development 12,170.78 1.2% Billing 15,523.90 1.5% Billing 15,523.90 1.5% Seles Commissions 2,857.84 0.3% Accused Payroll (51,000.00) (5,11%) Total Payroll Expenses: 258,647.65 25.9% Fictal - Employee Portion (13,678.38) (14%) Health Insurance- Cost of Prem Health Insurance- Non Mgmt 656.38 0.1% FICTA - Employer portion 1,132.95 0.1% FUTA - Employer portion 1,132.95 0.1% FUTA - Employer portion 0.00 0.0% VA SUI - Employer portion 0.00 0.0% Collection Expenses 0.00 0.0% Collection Expenses 0.00 0.0% Collection Expenses 0.00 0.0% Collection Expen	Year to Date % of	YTD Sales
Debit Cardos 0.00 0.0% PICC Fees 0.00 0.0% PICC Fees 0.00 0.0% PICC Fees 493.270.43 49.5% Total Cost of Goods Sold 492.688.05 49.4% Gross Profit 504,725.94 50.6% Coverhead Expenses: Payroll Expenses: Payroll Expenses: 22.068.06 2.2% Salarise - Management 0.00 0.0% Operations 0.00 0.0% Operations 0.00 0.0% Operations 27.593.69 2.8% Provisioning 34,033.05 3.4% Provisioning 34,033.05 3.4% Finance & Accounting 24,300.13 2.4% Administration & Regulatory 16,924.03 1.7% Administration & Regulatory 21,797.14 2.2% Information Services 5,000.00 0.5% Marketing 5,000.00 0.5% Application Development 12,170.78 1.2% Billing 15,523.90 1.6% Billing 15,523.90 1.6% Billing 15,523.90 0.4% Sales Commissions 2,857.84 0.3% Sales Commissions 2,857.84 0.3% Sales Commissions 2,857.84 0.3% Sales Commissions 2,857.84 0.3% Sales Demeth Cost 17,962.03 1.8% Health Insurance-Cost of Prem	279.79	0.0%
PIC Fees	12.00	0.0%
PICC Fees 149,270.43 49.5% 1701 17	50.24	0.0%
Total Retail Total Cost of Goods Sold Gross Profit So4,725.94 So.676 Gross Profit So4,725.94 So.676 Solaries - Management Operations Salaries - Customer Service Cradit & Collections Provisioning Finance & Accounting Finance & Accounting Salaries - Sales Application Development Information Services Salaries - Sales Application Development Billing Network Salaries Sales Commissions Accrued Payroll Total Payroll Expenses: Fringe Benefit Cost Health Insurance-Cost of Prem Health	1,309,043.07	55.1%
Total Cost of Goods Sold 504,725,94 50.5% Overhead Expenses: Payroll Expenses: 22,068.06 2.2% Salardes - Management 0.00 0.0% 0.0% Operations 0.00 0.0% 0.0% Salardes - Customer Service 68,188.02 6.6% Cradit & Collections 27,593.69 2.8% Provisioning 34,033.05 3.4% Provisioning 24,300.13 2.4% Provisioning 24,300.13 2.4% Administration & Regulatory 19,24.03 1.7% Administration & Regulatory 12,170.78 1.2% Application Development 12,170.78 1.2% Application Development 15,529.90 1.6% Billing	1,309,055.28	55.1%
Overhead Expenses: Payroll Expenses: Salarles - Management Operations Salarles - Collections Provisioning Finance & Accounting Administration & Regulatory Information Services Marketing Salarles - Sales Salers Salarles - Sales Salou - Sales Sales Commissions Sales Complex portion Sales Complex portion Sales Complex portion Sales Complex Sales Sales Commissions Sale		
Payroll Expenses: Satarles - Management 22,068.06 2.2%	1,067,588.83	44.9%
Payroll Expenses: Salaries - Management 22,068.06 2.2%		
Salaries - Management	93,375.75	3.9%
Coperations		0.4%
Salaries - Customer Service 68,188.02 5.8% Cradit & Collections 27,593.69 2.8% Cradit & Collections 34,033.05 3.4% Provisioning 24,300.13 2.4% Finance & Accounting 24,300.13 1.7% Administration & Regulatory 16,924.03 1.7% Information Services 5,000.00 0.5% Marketing 5,000.00 0.5% Saleries - Sales 57,043.01 5.7% Application Development 12,170.78 1.2% Application Development 15,523.90 1.6% Billing 3,870.00 0.4% Seles Commissions 2,857.84 0.3% Accrued Payroll (51,000.00) (5,1%) Total Payroll Expenses: 258,467.65 25,9% Fringe Benefit Cost 17,982.03 1.8% Health Insurance - Cost of Prem 17,982.03 1.8% Health Insurance - Non Mgmt 13,859.58 1.4% FICA - Employer portion 13,859.58 1.4% FUTA - E	9,000.00	5.6%
Cradit & Collections 27,993,693 3.4% Provisioning 34,033,05 3.4% Finance & Accounting 16,924,03 1.7% Administration & Regulatory 16,924,03 1.7% Information Services 21,787,14 2.2% Marketing 5,000,00 0.5% Saleries - Sales 57,043,01 5,7% Application Development 12,170,78 1.2% Application Development 12,170,78 1.2% Billing 1,523,90 1.5% Network Salaries 3,870,00 0.4% Sales Commissions 2,857,84 0.3% Accrued Payroll (51,000,00) (51,1%) Accrued Payroll (51,000,00) (51,1%) Accrued Payroll Expenses: 258,467,65 25,9% Fringe Benefit Cost 17,982,03 1.8% Health Insurance Cost of Prem 17,982,03 1.8% Health Insurance Morn (13,678,38) (1,4%) Health Insurance Portion 13,859,58 1.4% FUTA - Employer Po	132,840.78	
Provisioning 34,033,05 3,4% Finance & Accounting 24,300.13 2,4% Administration & Regulatory 16,924.03 1,7% 1,2% 1,5% 1	48,350.35	2.0%
Finance & Accounting Finance & Finance Finance & Finance Finance & Finance Finance & Finance Fina	87,373.56	3.7%
Administration & Regulatory information Services 21,797.14 2.2% information Services 5,000.00 0.5% Salaries - Sales 5,000.00 0.5% Application Development 12,170.78 1.2% Application Development 15,523.90 1.5% Salaries 3,970.00 0.4% Sales Commissions 2,857.84 0.3% Sales Commissions (51,000.00) (69,597.20	2.9%
Administration & Regulatory information Services	41,094.74	1.7%
Information Services	36,043.38	1.5%
Salaries	16,089.73	0.7%
Application Development 12,170.78 1,2%	138,792.22	5.8%
Application Development Billing Network Salaries Network Salaries Sales Commissions Accrued Payroll Total Payroll Expenses: Fringe Benefit Cost Health Insurance-Cost of Prem Health Insurance-Cost of Prem Health Insurance-Non Mgmt Health Insurance-Non Mgmt Health Insurance-Non Mgmt Health Insurance-Non Mgmt FICA - Employer portion It is insurance-Non Mgmt FICA - Employer portion FUTA - Employer portion Texas SUI - Employer portion Texas SUI - Employer portion TX Smart Job Workers Compensation Insurance Life Insurance - Key Man Sales Production Incentive Total Fringe Banefit Cost Other Expenses: Advertising Bank Fees Advertising Bank Fees Circuit Installation Charges Dilling Costs Congulation Co	19,093.86	0.8%
Billing	24,076.18	1.0%
Network Salaries 3,970.00 0.4%	3,970.00	0.2%
Sales Commissions	6,413.34	0.3%
Accrued Payroll (51,000.00) (5.1%) Total Payroll Expenses: 258,467.65 25.9%		0.0%
Total Payroll Expenses: 258,487.65 29.9%	0.00	
Fringe Benefit Cost Health Insurance-Cost of Prem 17,962.03 1.8% Health Ins - Employee Portion (13,678.38) (1.4%) Life Insurance- Non Mgmt 656.38 0.1% FICA - Employer portion 13,859.58 1.4% Medicare - Employer portion 3,241.35 0.3% FUTA - Employer portion 1,132.95 0.1% Texas SUI - Employer portion 970.01 0.1% VA SUI - Employer Portion 100.62 0.0% VA SUI - Employer Portion 0.00 0.0% V	726,111.09	30. <u>6%</u>
Health insurance-Cost of Prem 17,982.03 1.6% Health Ins - Employee Portion (13,678.38) (1,4%) Life insurance- Non Mgmt 656.38 0.1% FICA - Employer portion 13,859.58 1.4% Medicare - Employer portion 3,241.35 0.3% FUTA - Employer portion 1,132.95 0.1% Texas SUI - Employer portion 970.01 0.1% Texas SUI - Employer Portion 100.62 0.0% TX Smart Job 0.00 0.0% TX Smart Job 0.00 0.0% Workers Compensation Insurance 0.00 0.0% Life Insurance - Key Man 0.00 0.0% Salea Production Incentive 24,244.54 2.4% Other Expenses: 0.00 0.0% Dank Fees 1,303.43 0.1% Bank Fees 1,303.43 0.1% Beepers / Pagers 0.00 0.0% Circuit Installation Charges 0.00 0.0% Collection Expense 0.00 0.0% Collection Expense 0.00 0.0% Commissions - Agent / Reseller 11,909.12 1.2% Computer Software Supplies 6,495.86 0.7% Consulting 22,230.77 2.2% Credit Card / ACH Fees 454.85 0.0% Credit Reports 1,403.60 0.1% Dues & Subscriptions 160.00 0.0% Equipment Repair 1,406.63 0.1% Equipment Repair 1,400.00 0.0%		
Health Ins - Employee Portion (13,678.38) (1,4%) Life Insurance- Non Mgmt (56.38 0.1% FICA - Employer portion (13,859.58 1.4% Medicare - Employer portion (3,241.35 0.3% Medicare - Employer portion (1,32.95 0.1% FUTA - Employer portion (1,32.95 0.1% Texas SUI - Employer portion (10,62 0.0% TX Smart Job (0.00 0.0% TX Smart Job (0.00 0.0% Workers Compensation Insurance (0.00 0.0% Life Insurance - Key Man (0.00 0.0% Sates Production Incentive (0.00 0.0% Sates Production Incentive (0.00 0.0% Total Fringe Benefit Cost (24,244.54 2.4% Other Expenses: (0.00 0.0% Advertising (1,303.43 0.1% Bank Fees (1,303.43 0.1% Bank Fees (0.00 0.0% Circuit Installation Charges (7,440.33) (0.7%) Circuit Installation Charges (7,440.33) (0.7%) Collection Expense (7,440.33) (0.7%) Collection Expense (7,440.33) (0.7%) Conmusions - Agent / Reseller (1,909.12 1.2% Computer Software Supplies (4,495.86 0.7% Consulting (2,230.77 2.2% Credit Card / ACH Fees (4,585 0.0% Credit Card / ACH Fees (4,586 0.1% Delivery - Overnight (1,403.60 - 0.1% Dues & Subscriptions (1,466.63 0.1% Equipment Repair (0.00 0.0%	76,042.65	3.2%
Life insurance- Non Mgmt	(37,850.49)	(1.6%)
FICA - Employer portion	1,568.88	0.1%
Medicare - Employer portion 3,241.35 0.3%	39,158.24	1.6%
Medicare - Employer portion	9,157.94	0.4%
Texas SUI - Employer portion 970.01 0.1%	5,259.52	0.2%
VA SUI - Employer Portion 100.62 0.0% TX Smart Job 0.00 0.0% Workers Compensation Insurance 0.00 0.0% Life Insurance - Key Man 0.00 0.0% Sales Production Incentive 0.00 0.0% Total Fringe Benefit Cost 24,244.54 2.4% Other Expenses: 0.00 0.0% Advertising 1,303.43 0.1% Bank Fees 1,303.43 0.1% Beepers / Pagers 0.00 0.0% Circuit Installation Charges 0.00 0.0% Circuit Installation Charges (7,440.33) (0.7%) Billing Costs (7,440.33) (0.7%) Collection Expense 0.00 0.0% Copier Lease 476.30 0.0% Computer Software Supplies 6,495.86 0.7% Computer Software Supplies 6,495.86 0.7% Consulting 22,230.77 2.2% Credit Card / ACH Fees 454.85 0.0% Credit Reports 1,403.60 -	3,052.21	0.1%
TX Smart Job Workers Compensation Insurance Life Insurance - Key Man Sales Production Incentive Total Fringe Benefit Cost Other Expenses: Advertising Bank Fees Beepers / Pagers Circuit Installation Charges Billing Costs Collection Expense Commissions - Agent / Reseller Computer Software Supplies Credit Card / ACH Fees Delivery - Overnight Dues & Subscriptions Equipment Repair Equipment Equi	200.00	0.0%
Workers Compensation Insurance Life Insurance - Key Man Sales Production Incentive Cotal Fringe Benefit Cost Other Expenses: Advertising Bank Fees Beepers / Pagers Circuit Installation Charges Collection Expense Collection Expense Commissions - Agent / Reseller Computer Software Supplies Credit Card / ACH Fees Credit Reports Delivery - Overnight Dues & Subscriptions Entertainment Equipment Repair Equipment Equipment Equipment Repair Equipment	97.83	0.0%
Life Insurance - Key Man 0.00 0.0% Sales Production Incentive 0.00 0.0% Total Fringe Benefit Cost 24,244.54 2.4% Other Expenses: 0.00 0.0% Bank Fees 1,303.43 0.1% Beepers / Pagers 0.00 0.0% Circuit Installation Charges 0.00 0.0% Billing Costs (7,440.33) (0.7%) Collection Expense 476.30 0.0% Copier Lease 476.30 0.0% Commissions - Agent / Reseller 11,909.12 1.2% Computer Software Supplies 6,495.86 0.7% Consulting 22,230.77 2.2% Credit Card / ACH Fees 454.85 0.0% Credit Reports 1,403.60 0.1% Dues & Subscriptions 1,403.60 0.1% Entertainment 1,466.63 0.1% Equipment Repair 0.00 0.0%	1,573.02	0.1%
Life Insurance - Key Man 0.00 0.0%	1,190.00	0.1%
Sales Production Incentive 0.00 0.0% Total Fringe Benefit Cost 24,244.54 2.4% Other Expenses: 0.00 0.0% Advertising 1,303.43 0.1% Bank Fees 0.00 0.0% Beepers / Pagers 0.00 0.0% Circuit Installation Charges 0.00 0.0% Billing Costs (7.440.33) (0.7%) Collection Expense 0.00 0.0% Copier Lease 476.30 0.0% Commissions - Agent / Reseller 11,909.12 1.2% Computer Software Supplies 6,495.86 0.7% Consulting 22,230.77 2.2% Consulting 454.85 0.0% Credit Card / ACH Fees 4,318.01 0.4% Credit Reports 1,403.60 0.1% Delivery - Overnight 1,403.60 0.1% Dues & Subscriptions 160.00 0.0% Entertainment 0.00 0.0% Equipment Repair 0.00 0.0%	86.26	0.0%
Total Fringe Benefit Cost 24,244.54 2.4% Other Expenses: 0.00 0.0% Advertising 1,303.43 0.1% Bank Fees 0.00 0.0% Beepers / Pagers 0.00 0.0% Circuit installation Charges 0.00 0.0% Billing Costs (7.440.33) (0.7%) Collection Expense 476.30 0.0% Copier Lease 476.30 0.0% Commissions - Agent / Reseller 11,909.12 1.2% Computer Software Supplies 6.495.86 0.7% Consulling 22,230.77 2.2% Credit Card / ACH Fees 454.85 0.0% Credit Reports 4,318.01 0.4% Delivery - Overnight 1,403.60 - 0.1% Dues & Subscriptions 1,466.63 0.1% Entertainment 0.00 0.0% Equipment Repair 0.00 0.0% Equipment Repair 869.58 - 0.1%	- ·	4.2%
Other Expenses: 0.00 0.0% Advertising 1,303.43 0.1% Bank Fees 1,303.43 0.1% Beepers / Pagers 0.00 0.0% Circuit installation Charges 0.00 0.0% Billing Costs (7.440.33) (0.7%) Collection Expense 0.00 0.0% Copier Lease 476.30 0.0% Commissions - Agent / Reseller 11,909.12 1.2% Computer Software Supplies 6,495.86 0.7% Consulting 22,230.77 2.2% Consulting 245.85 0.0% Credit Reports 4,318.01 0.4% Delivery - Overnight 1,403.60 - 0.1% Dues & Subscriptions 1,466.63 0.1% Entertainment 0.00 0.0% Equipment Repair 0.00 0.0% Equipment Repair 869.58 - 0.1%	99,536.06	
Advertising Bank Fees Bank Fees Beepers / Pagers Circuit Installation Charges Ciling Costs Collection Expense Copier Lease Commissions - Agent / Reseller Computer Software Supplies Credit Card / ACH Fees Credit Reports Delivery - Overnight Dues & Subscriptions Entertainment Equipment Repair Equipment Repair D.00 D.0% D.0% D.0% D.0% D.0% D.0% D.0	4 500 30	0.2%
Bank Fees	4,583.38	
Beepers / Pagers 0.00 0.0%	2,466.60	0.1%
Circuit installation Charges 0.00 0.0% Billing Costs (7,440.33) (0.7%) Collection Expense 0.00 0.0% Copier Lease 476.30 0.0% Commissions - Agent / Reseller 11,909.12 1.2% Computer Software Supplies 6,495.86 0.7% Consulting 22,230.77 2.2% Credit Card / ACH Fees 454.85 0.0% Credit Reports 4,318.01 0.4% Credit Reports 1,403.60 0.1% Dues & Subscriptions 160.00 0.0% Entertainment 1,466.63 0.1% Equipment Repair 0.00 0.0% Equipment Repair 869.58 0.1%	56.02	0.0%
Circuit Installation Charges (7,440.33) (0.7%)	1,294.54	0.1%
Collection Expense 0.00 0.0% Copier Lease 476.30 0.0% Commissions - Agent / Reseller 11,909.12 1.2% Computer Software Supplies 6,495.86 0.7% Consulting 22,230.77 2.2% Credit Card / ACH Fees 454.85 0.0% Credit Reports 4,318.01 0.4% Delivery - Overnight 1,403.60 - 0.1% Dues & Subscriptions 160.00 - 0.0% Entertainment 1,466.63 0.1% Equipment Repair 0.00 0.0% Equipment Repair 869.58 - 0.1%	38,724.41	1.6%
Collection Experise Copier Lease Commissions - Agent / Reseller Computer Software Supplies Consulting Credit Card / ACH Fees Credit Reports Delivery - Overnight Dues & Subscriptions Entertainment Equipment Repair	3,268.28	0.1%
Copier Lease Commissions - Agent / Reseller Computer Software Supplies Consulting Credit Card / ACH Fees Credit Reports Delivery - Overnight Dues & Subscriptions Entertainment Equipment Repair	2,348.69	0.1%
Commissions - Agent / Reserved Computer Software Supplies Consulting Credit Card / ACH Fees Credit Reports Delivery - Overnight Dues & Subscriptions Entertainment Equipment Repair	25,222.43	1.1%
Consulting 22,230.77 2.2% Consulting 454.85 0.0% Credit Card / ACH Fees 4,318.01 - 0.4% Delivery - Overnight 1,403.60 - 0.1% Dues & Subscriptions 160.00 - 0.0% Entertainment 1,466.63 0.1% Equipment Repair 0.00 0.0% Equipment Repair 869.58 - 0.1%	16,688.40	0.7%
Consulting 22,230.77 2.2%	52,230.77	2.2%
Credit Card / ACH Fees 454.85 0.0% Credit Reports 4,318.01 - 0.4% Delivery - Overnight 1,403.60 - 0.1% Dues & Subscriptions 160.00 - 0.0% Entertainment 1,466.63 0.1% Equipment Repair 0.00 0.0% Equipment Repair 869.58 - 0.1%		0.4%
Credit Reports 4,318.01 - 0.4% Delivery - Overnight 1,403.60 - 0.1% Dues & Subscriptions 160.00 - 0.0% Entertainment 1,466.63 0.1% Equipment Repair 0.00 0.0% Equipment Repair 869.58 - 0.1%	8,573.84	0.3%
Delivery - Overnight 1,403.80 - 0.1% Dues & Subscriptions 160.00 - 0.0% Entertainment 1,466.63 0.1% Equipment Repair 0.00 0.0% Equipment Rental 869.58 - 0.1%	6,546.95	0.1%
Dues & Subscriptions 160.00 - 0.0% Entertainment 1,466.63 0.1% Equipment Repair 0.00 0.0% Equipment Rental 869.58 - 0.1%	2,888.79	
Entertainment 1,466.63 0.1% Equipment Repair 0.00 0.0% Equipment Rental 869.58 - 0.1%	190.00	0.0%
Equipment Repair 0.00 0.0% Equipment Rental 869.58 - 0.1%	1,893.74	0.1%
Equipment Rental 869.58 - 0.1%	92.01	0.0%
Fouldment Kental	4,260.91	0.29
	5.31	0.0%
rinance Charge	506.00	0.0%
Prancinge 14x	5,193.23	0.29
Internet access	13,840.58	0.69
Legal Fees 4,875.14 0.5% 1.290.21 0.1%	2,683.25	0.19

Profit & Loss Statement

7/2/01		•	•	•
4:48:30 PM	Selected Period	% of Sales	Year to Date % o	YTD Sales
Lawrence Consults & That	1,260.50	0.1%	2,302.58	0.1%
Insurance Casualty & Theft	7,200.00	0.7%	23,828.50	1.0%
License & Application Fees	451.37	0.0%	14,687.68	0.8%
Late Fees	12,656.95	1.3%	14,851.51	0.6%
Maintanence & Repairs	0.00	0.0%	300.00	0.0%
Misc State Reporting Fees	5,831.33	0.8%	16,385.73	0.7%
Office Supplies		0.2%	10,056.36	0.4%
Outside Services	1,500.02 0.00	0.0%	396.00	0.0%
Registered Agent Services	363.24	0.0%	1,420.30	0.1%
Penaities		0.2%	7,309.65	0.3%
Postage	1,941.45	0.3%	4,700.01	0.2%
Printing	2,965.24		29,939.85	1.3%
Professional Fees	11,240.35	1.1%	9,087.11	0.4%
Property Taxes	3,433.34	.0.3%		0.6%
Registration - Foreign Corp	1,000.00	0.1%	14,319.00	3.0%
Rent - Office	36,969.58	3.7%	71,519.48	0.1%
Rent-Storage	1,071.65-	0.1%	1,208.90	
Securities Registration & Fees	0.00	0.0%	1.00	0.0%
State Certification Fees	44,964.32	4.5%	44,964.32	1.9%
	1,457.20	0.1%	21,732.93	0.9%
Telemarketing	228.94	0.0%	945.53	0.0%
Telephone - Cellular	6,281,43	0.6%	14,307.94	0.6%
Telephone - Local	1,381.67	0.1%	20,168.28	0.8%
Telephone - Long Distance	3,502.00	0.4%	10,497.30	0.4%
Temporary Employee	3,658.75	0.4%	3,656.75	0.2%
Employee Training		0.5%	8,532.96	0.4%
Travel	4,554.97	0.2%	9,676.83	0.4%
Travel - Living Expense - Exec	2,000.00	20.6%	550,354.63	23.2%
Total Other Expenses:	205,825.47	20.0%	230,334.03	
Bad Debt Expense		4.00/	38,692.00	1.8%
Bad Debt Accural	17,615.32	1.8%		1.6%
Total Bad Debt Expense	17,615.32	1.8%	38,692.00	59.5%
Total Overhead Expenses:	506,152.98	50.7%	1,414,693.78	J.,
Operating Profit	(1,427.04)	(0.1%)	(347,126.95)	(14.6%
Other Income		0.00/	481.66	0.0%
Interest Earned - Checking	133.26	0.0%		0.0%
Interest Earned - CD's	0.00	0.0%	249.42	(0.1%
Gain/(Loss) Sale Fixed Asset	(3,050.66)	(0.3%)	(3,050.66)	0.3%
Other Income	849.22	0.1%	6,293.27	0.0%
Speedpay Income	0.00	0.0%	22.00	
Total Other Income	(2,068.18)	(0.2%)	3,995.69	0.2%
Other Expenses	٠.	s fra	404 400 40	4.49
Depreciation Expense	45,402.10	4.6%	104,499.18	10.99
Amortization	114,408.26	11.5%	259,415.12	
Interest Expense	49,050.46	4.9%	93,535.73	3.99
Total Other Expenses	208,880.82	20.9%	457,450.03	19.29
Net Profit / (Loss)	(212,356.04)	(21.3%)	(800,581.29)	(33.7%